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(A Sidelight on the Financing of Medicare)

A BUDGET OUT OF CONTROL

(Editorial in The Globe and Mail, *Toronto, August 25, 1967)*

A general expectation had arisen that at his press conference this week Prime Minister Lester Pearson would document the cuts in spending which his Government plans to make during the present budget year and also in estimates for 1968–69.

The expectation was logically based on earlier statements by Mr. Pearson himself and by Finance Minister Mitchell Sharp. Tens of millions of dollars in cuts affecting every department were being made, said the Prime Minister. Said Mr. Sharp, preliminary spending requests for the next fiscal year ''were far in excess of what is possible,'' because they out-stripped the growth in revenue that could be realized by existing taxes and because the Government could not hope to borrow nearly so heavily next year as this.

''We are going to have to reduce our demands on the market substantially from the current year,'' said Mr. Sharp, and added the somewhat startling information that for the first time in his memory—a memory that stretches over many Administrations—the Federal Government is faced with a definite limit to the amount it can borrow.

Some part of this can be understood. Mr. Sharp's May budget was a spending budget—$11.2 billion, increased by supplementary estimates in July to $11.3 billion; and it came on top of the 10 heaviest years of federal borrowing in peacetime history. It called for a deficit of $740 million, the largest in six years; but the cash requirements of the Government were even larger, nearly $1.6 billion. Mr. Sharp counted on raising this amount because he anticipated that private demands for capital would be lower than usual and because the Government had big cash balances (such as the Unemployment Insurance Fund) on which it could draw.

In fact, private demands on the market have been higher than expected, and the Government's big cash balances have been run down. Next year they will not be there to cushion Government spending, and borrowing, as Mr. Sharp explained, will face limits. To put it in the context of the householder, the Government will have pretty well drained its piggy bank, vacation fund and sock under the mattress, and found that its creditors are putting a firm limit on borrowing. It will therefore be faced with increasing taxes—already burdensome—or cutting spending.

The fact that Mr. Pearson and Mr. Sharp have triggered anticipation of cuts so unusually far ahead of next spring's budget indicates that there is something serious in the wind. Is it a dip approaching in the economy? Is it the small flight of solid—not speculative— money from the country, a flight that could grow unless the Government is clearly seen to be bringing the budget under control? Is it the stultifying effect that fears of the report of the Carter Royal Commission on Taxation have spread through the business community? Are they getting us ready for a capital gains tax this fall?

Something has to be cooking because cuts in department estimates at this stage are no more than a clipping of wild dreams that nobody expected to be realized. But for some reason Mr. Pearson and Mr. Sharp wish to be seen to be cutting even now.

Mr. Pearson did not give details of the cutting this week, except to say that new housing money would not be available (not a real cut because the money was not included in the budget anyway), and to insist that Ottawa would still proceed with medicare on schedule (while making it evident that provincial opposition might give him a graceful out).

But this preoccupation with reducing expenditures should cause the Cabinet to contemplate the reasons why it has become necessary. The Government has been launching long-term programs that cannot be stopped once started and that continue to grow; programs, moreover, that do not so much meet genuine need as serve the political or philosophical purposes of some of its ministers. The Government has refused to establish priorities of spending, has put welfare programs ahead of the investments that will pay for them. It has permitted empire building.

When the genuine cuts start, these defects of budgeting must be eliminated. The knife will probably have to fall on all departments and we can sustain without sorrow the loss of a Canadian pentagon or a vast new CBC centre; but it should come last to those expenditures that are, in fact, investments in greater national productivity; education, manpower training, trade initiatives, immigration.

There is some reassurance in the realization that it will be the pragmatic Mr. Sharp who will wield the knife.

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Hospital Statistics   Public hospitals reported almost 115,000,000 units of laboratory work in 1964 or 3.9 per patient day, compared with 3.5 in 1963. Radiology examinations were almost 7,000,000 compared with 6,200,000 a year earlier, according to data included in the D.B.S. publication. ''Hospital Statistics for 1964, Volume II''. Operations numbered 2,320,000 or 44.6 (44.1 in 1963) for every 100 adult and child patients who were admitted to hsopital. Of the 433,500 obstetrical patients who were delivered, 38.2 (36.8 in 1963) per 1000 deliveries were cesarean sections. Obstetrical patients accounted for 16.2% of all admissions (15.5 in 1963).

Autopsies numbered almost 35,000 or 34.7 (34.1 in 1963) per 100 hospital deaths. The number of attendances per patient registered in the organized outpatient department was 3.3 compared with 3.0 the previous year. Over 3,000,000 attendance were recorded for emergency outpatient work compared to 2,500,000 the year before.